

THE WORKING CAPITAL EFFICIENCY OF THE PERUNDURAI

R.S. PRIMARY AGRICULTURAL CO-OPERATIVE CREDIT

SOCIETY - AN ASSESSMENT

S. MAHESHKANNAN

Assistant Professor of Cooperation, D.B. Jain College, Chennai, Tamil Nadu, India

ABSTRACT

The co-operative movement in India has taken deep roots in various sectors and its making a significant contribution towards Agricultural and economic development. Particularly the primary agricultural co-operative credit society plays very important role in agricultural development and they are considered as the pillars of the Agricultural development in India. Primary Agricultural Co-operative credit societies (PACCS) actively engaged in the provision of the improved service to the farmers as a point of dissemination of the technology and the improved cultivation practices. A PACCS is a basic unit and smallest co-operative credit institutions in India. PACCS occupy a predominant position in the cooperative credit structure and form its base. It works on the grassroots level of a village or a group of village. It is the basic unit which deals directly with the rural (agricultural) borrowers, gives those loans and collects loans. A co-operative society can be assessed by the different way of method. Some of the important indicators are used to analyses the financial efficiency to study the growth of the selected society.

KEYWORDS: Co-Operative Enterprises, Credit, Agriculture, Primary Level & Working Capital

Received: Jan 03, 2018; **Accepted:** Jan 23, 2019; **Published:** Feb 08, 2019; **Paper Id.:** IJHRMRAPR20195

INTRODUCTION

The co-operative movement in India has taken deep roots in various sectors and its making a significant contribution towards Agricultural and economic development. Particularly the primary agricultural co-operative credit society plays very important role in agricultural development and it is considered as the pillars of the Agricultural development in India. Primary Agricultural Co-operative credit societies (PACCS) actively engaged in the provision of the improved service to the farmers as a point of dissemination of the technology and the improved cultivation practices. A PACCS is a basic unit and smallest co-operative credit institutions in India. PACCS occupy a predominant position in the co-operative credit structure and form its base. It works on the grassroots level of a village or a group of village. It is the basic unit which deals directly with the rural (agricultural) borrowers, gives those loans and collects loans. It serves as the final link between the ultimate borrowers on the one hand and the higher financing agencies, namely the SCBs, and the RBI/NABARD on the other hand. The Perundurai R.S. Primary Agricultural Co-operative Credit Society was established on 8th December 1956 in Perundurai R.S. village. The Main aims of organizing this Agricultural Co-operative Credit Society are to provide credit facilities and to inculcate the savings habits, thrift and economy among the members.

REVIEW OF LITERATURE

Swaminathan M. (2000) studied Sri Lakshminarayana Co-operative Bank as a case study in Thiruvavur District, Tamil Nadu. The period from 1993-94 to 1997-98 was covered for the study. The share capital, reserves and financial performance of the bank showed a steady progress and indicated its growth in various aspects. **Kalamkar S. S. (2003)** the primary agricultural credit co-operative societies is considered to be the pillars of the entire cooperative edifice. The PACSs continue to be the main source of agricultural credit to the farmers in rural areas. **Deepak Shah (2004)** evaluated the financial viability of two primary agricultural cooperative societies in Kolhapur district, Maharashtra, India, using data covering seven years after (1992-1998) and seven years before (1985-1991) the economic reforms. The two PACS selected represent class A and B societies, respectively. Results showed a reduction in the operational efficiency of the selected PACS during the post reform period compared to the pre reform period. **Kulandaiswamy V. and Murugesan P. (2005)** made an attempt to evaluate the performance of PACS in various dimensions using a comprehensive yardstick of performance. They have studied 30 PACS for a ten year period using 13 performance parameters in the selected developments blocks of Western Tamil Nadu using field survey data. They employed parametric and non-parametric tests to classify PACS into three performance categories viz. Poor, moderate and good. Their study found that working capital, total loans outstanding, total business turnover, overdue, net worth and loans to weaker sections were the relevant and valid performance indicators for PACS.

AIM AND METHODOLOGY

The prime aim of the study is that to assess the working capital efficiency of the Perundurai R.S Primary Agricultural Co-operative Credit Society. There are 163 Primary Agricultural Co-operative Credit Societies are functioning in the district of Erode. At the time of study, Erode District consists of 10 taluks viz., Erode, Modakkurichi, Kodumudi, Perundurai, Bhavani, Anthiyur, Gobichettipalayam, Sathyamangalam, Thalavadi and Nambiyur. Out of these 10 taluks, Perundurai Taluk is one of the progressive taluk and area in the district. On this consideration and taluk the society were purposively selected based on the convenient of the researcher. Transportation and approaches were influenced for the data collection to the study. The study is basically descriptive in nature.

CORE FINDINGS OF THE STUDY

A co-operative society can be assessed by the different way of method. Further, it is very essential to note that any co-operative society under study must reveal some common mandatory parameters to bring general working performance. In this way, this select unit has been assessed with the following mandatory assessment criteria of evaluation for the co-operative enterprises and which can help all respectively to trace out the operational efficiency of the society.

Members

Members of the society are open to all persons. Those who are residing within the area of operation are eligible for joining as a member of the society. The members position of the society for the past ten years. In the year 2007-2008 the members' position was 5441. Further, it has been increased to 6669 in the year 2016-2017.

Share Capital

Share Capital represents the initial contribution made by the members. It is a significant source of fund. The society drives to mobilize more amount of share capital. In the year 2007-2008 the share capital position was Rs. 44.42

lakhs. Further, it has increased to Rs. 60.22 lakhs in the year 2016-2017.

Reserve Fund

The reserve fund is created out of the net profit. As per the bye-law, not less than 25% of the net profit is allocated to reserve fund. It is allocated to meet out the unforeseen losses in future. In the year 2007-2008 the reserve fund position was Rs. 23.05 lakhs. This increased to Rs. 98.22 lakhs in the year 2016-2017.

Deposits

It is one of the main components of working capital, which bears significant cost. Mostly it is collected from members. In the year 2007-2008 the deposits position was Rs. 110.66 lakhs. Further, it increased more than threefold times i.e. Rs. 392.33 lakhs in the year 2016-2017.

Borrowings

Borrowings are one of the main sources of funds of the society. The maximum borrowing power of the society is eight times of paid up share capital plus reserve funds. The Perundurai R.S Primary Agricultural Co-operative Credit Society has borrowed fund from the Erode District Central Co-operative Bank. In the year 2007-2008 the borrowing position was Rs. 62.02 lakhs. Further, it has been increased to Rs. 115.67 lakhs in the year 2016-2017.

Investment

The selected bank invested their funds in outside the organization like District Central Co-operative Bank and some other Co-operative Societies and State and Central Government securities. In the year 2007-2008 the investment position was Rs. 574.86 lakhs, which rose to Rs. 3806.44 lakhs in the year 2016-2017.

Working Capital

In Co-operatives the working capital consists of Owned funds (Share Capital + Reserve funds) and Borrowed funds (Deposits + Borrowings). Good growth of working capital is sine-e-quanon to the level of achieving viability by the select PACCS. In the year 2007-2008, the working capital position was Rs. 136.98 lakhs, which shows more than threefold growth i.e. Rs. 511.70 lakhs in the year 2015-2016. Further it has decreased to Rs. 502.94 lakhs in the year 2016-2017.

Loans

Short term loans are provided on all the categories given above. The loan amounts differ from each other on the basis of their purpose and the members need. Most of the lending operation is done in three stages as the first lending amount is issued on a basement or at the start of the need and next in the middle period and finally the last after the half of the need is completed. For example, short term loans are provided as a crop loan on the basis of the area cultivated and credit limit. It is fixed for each crop. The crop loan is given in the forms of cash, and kind portion. Eligibility to borrow this type of loan is on the basis of the standing crop as the case may be up to the market value of such crop. If the repayment is made before the due date then no penal interest is to be paid. In the year 2007-2008 the loans position was Rs. 1088.74 lakhs. Further, it has been increased to Rs. 1239.72 lakhs in the year 2016-2017.

Gross Profit

Gross Profit is the profit a company makes after deducting the costs associated with making and selling its products, or the costs associated with providing its services. It is reported on the classified income statement. It's different

from operating profit, which is actually gross profit minus operating expenses. In the year 2007-2008 the gross profit position was Rs. 5.96 lakhs. Further, it has decreased to Rs. 0.77 lakhs in the year 2016-2017.

Net Profit

A financial gain, especially the difference between the amount earned and the amount spent in the business operations. In the year 2007-2008 the net profit position was Rs. 13.59 lakhs, which touched three times growth nearly to Rs. 36.26 lakhs in the year 2016-2017.

Exhibit 1: Overall Growth Index of the Perundurai R.S PACCS

Year	Members	Share Capital	Reserve Fund	Deposits	Borrowing	Working Capital	Loan	Gross Profit	Net Profit
2007-08	100	100	100	100	100	100	100	100	100
2008-09	100	96.1	114.92	107.7	141.13	110.66	123.38	4.53	101.69
2009-10	83.12	96.42	130.54	143.34	135.31	133.27	137.34	182.21	144.44
2010-11	83.12	97.14	130.54	182.2	105.64	163.63	157.41	28.35	151.14
2011-12	82.99	96.03	198.44	187.56	166.76	173.94	181.33	32.44	210.52
2012-13	107.86	109	198.44	227.12	214.05	212.07	210.95	8.05	206.62
2013-14	108.21	109.52	257.31	278.3	250.2	257.37	185.11	93.79	205.29
2014-15	109.24	116.47	367.42	300.41	271.7	278.86	163.63	8.89	219.05
2015-16	112.18	141.42	367.42	364.44	335.95	373.55	112.76	7.88	279.39
2016-17	122.56	135.56	426.12	354.53	186.5	367.16	104.46	12.91	266.81

Source: Audit report of the societies (various issues)

CONCLUSIONS

Expansion of agricultural credit in India in the last 20 years was facilitated mostly by commercial banks. However, commercial banks' credit support has a bias in favour of comparatively well off sections of farmers and other communities. But, co-operative credit societies are value based organizations which support closely to the overall development of farmers community. Further, the survival of co-operative financial institutions is very essential by its well enough working capital accumulations. In this way, the select unit of the Perundurai R.S. Primary Agricultural Co-operative Credit Society has achieved success in its overall performance. In order to fulfil the needs of the local agricultural community, the select study unit is fit for the operation and in the effective working capital management.

REFERENCES

1. Swaminathan. M, "Sri Lakshminarayana Cooperative Bank", *Tamil Nadu Journal of Cooperation*, Jun 2000, Vol. 91, No.3, P.34-40.
2. Kulandaiswamy.V and Murugesan.P (2005) *Performance of PACS – An Empirical Evaluation*, *Indian Cooperative review*, 42(2), pp 121-130.
3. Selvaraju.P (2015), 'Rural Financial System and Co-operatives in India: Challenges and Issues' published in the international conference proceedings on 'Global Finance: Issue and Challenges' with ISBN 978-93-5196-090-4, SNR College, Coimbatore, pp.5-8.
4. Priyanka, T., *Synopsis on Job Satisfaction of Teachers Working in MBA Colleges in Guntur District*.
5. Kalamkar S.S(2003), "Progress of Agricultural Credit Societies in Maharashtra", *The Maharashtra Co-operative*, January March, Quarterly Vol. 89, No. 4, pp. 21-25.
6. Hajela. T.N (2016), *Cooperation principles, Problems and Practice*, 8th edition, Ane Books Pvt. Ltd, Chennai.

7. Ramachandra Reddy.D and Ramakrishna Reddy. M (1995), *Overdues of PACS: Extent and Causes, Cooperative Perspective*, Vol 30(3), October- December, P.47.
8. Deepak Shah (2004), *Measuring viability of PACS during reform period in Maharashtra: a case study*, *National Bank News Review Mumbai*, 20(4), pp 11-22.
9. Kumari, Archana., & Verma, Jyotsna. (2015). *Impact of social networking sites on social interaction-a study of college students*. *Journal of Humanities and Social Sciences*, 4(2), 55-62.
10. Abdul Kuddud K.A & Zakir Hussian A.K. (2017) *Co-operaive Credit and Banking*, Chennai – 06, Tamilnadu.
11. Ramu. N (2007), *Working Capital Management of Sri Lakshmi Narayan Cooperative Urban Bank Ltd., Cooperative Perspective*, vol.42. No 1&2, April- September, p.75.

